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PREPARED AND DISSEMINATED BY

CENTRAL INTELLIGENCE AGENCY

COUNTRY

USSR

SUBJECT

The Reorganization of Management of  
Industry and Building in the USSRENCLOSURE ATTACHED  
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DATE DISTRIBUTED

24 July 1957

25X1

NO. OF PAGES

1

NO. OF ENCLS.

SUPPLEMENT TO REPORT #

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OF  
THE REORGANIZATION ~~IN~~ MANAGEMENT OF  
INDUSTRY AND BUILDING IN THE USSR.

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OF  
THE REORGANIZATION ~~IN THE~~ MANAGEMENT OF  
INDUSTRY AND BUILDING IN THE USSR

1. General remarks.

At the general session of the Central Committee of the CPSU, which convened on 14 February 1957, N.S. Khrushchev's report on further improvement of the organization of management of industry and building was heard and discussed and a decision relating to this report was made. According to this decision, the Central Committee of the CPSU and the Council of Ministers of the USSR are charged with working out concrete proposals on the reorganization of management of industry and building.

The theses of Khrushchev's report "On further improvement of the organization of management of industry and building" were published on 30 March 1957 by the Central Committee of the CPSU and the Council of Ministers of the USSR. These theses were widely discussed all over the country during April and the first week of May. On 7 May 1957 Khrushchev was scheduled to present his report to a session of the Supreme Soviet of the USSR and a decision by this body was expected to be taken. (The results of this session are so far not known to me).

During the first years of the Soviet regime such administrative organs as the ~~Supreme Council for the National Economy~~ <sup>National Economic</sup> and National Economic Councils on a local basis, the State Planning Committee (Gosplan) and local planning organs were established by order of Lenin. In the years of the first Five-Year Plan (1928-1932), specialized chief directorates (glavki) were organized, subsequently they were People's Commissariats (narkomaty) and in March 1946 their name was changed to Ministries.

With the passage of time the number of Ministries, all types of government directorates and committees, kept on growing. Even the Ministries concerned

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with the management of enterprises became cluttered up with a large number of intermediate links, parallel and ~~support~~ <sup>subsidiary</sup> organizations. By ~~the end of~~ May 1957 the number of Ministries alone had grown to enormous proportions, to wit:

USSR Ministries	- 52
Union-Republics Ministries	- 240-250
Autonomous Republics Ministries	- 150-180

Besides, at least 100-120 different directorates and committees attached to the Councils of Ministers must be added to this number. Going through the ~~list of Ministries~~ <sup>can</sup> ~~one can easily see~~ <sup>is no</sup> that from an economic viewpoint there ~~is no~~ justification whatever ~~for~~ <sup>for</sup> maintaining such a huge ~~number of Ministries~~ amount of Ministries (for instance, the Grain Products Ministry of the USSR and Union Republics, the Meat and Milk Industry Ministry ~~and Union Republics~~ of the USSR and so forth). Many Ministries could be merged and reorganized on a more rational scale. The CPSU arguments, raised in the theses of Khrushchev's report to the effect that such a huge number of Ministries resulted from the creation of new branches of industry and the growth of the number of industrial enterprises and building organizations in the country, are without any foundation whatever. The reason for such a ~~phenomenon~~ <sup>phenomenon</sup> can be only one and that is that the communist dictatorship with its state capitalism, its monopoly over absolutely all branches of the economy, inevitably had to give birth to such a monstrous bureaucratic machine.

## 2. The essence of the reorganization ~~in~~ the management of the economy.

The essence of the reorganization of management of industry and building in short terms boils down to the following. Management of industry and building will be implemented not through specialized Ministries but instead on a territorial basis. Therefore the majority of industrial Ministries will be abolished,

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the country will be divided into a number of economic districts and National Economic Councils (Sovnarkhosis) will be organized to take over the management of industry and building in each economic districts. Simultaneously with the organization of National Economic Councils, the role played by Gosplan, Gosbank (State bank), Ministry of Finance, Ministry of State Control, Central Statistical Administration, party-, komsomol' and Trade-Union organizations will be greatly increased (centralization intensified) as far as the management of industry and building is concerned.

In the process of reorganization of management of industry and building, management through branch Ministries for some branches of the economy will be preserved. These branches are:

- a) Railroad, sea, air transport,
- b) communications,
- c) agriculture,
- d) Foreign Trade,
- e) State administrative and defense organs.

industrial and building enterprises  
provinces

Thus, operational management of enterprises engaged in industry and building is transferred from the center to the provinces in order to improve the work

the production efficiency of these enterprises. But at the same time centralization of administration of the country's economy is increased through concentration in the hands of the government of planning, material-technical supply, calculation and control and strengthening of the role played by these organs. But as long as planning, personnel, supply, financing, calculation and control <sup>remain</sup> are concentrated in the hands of the government, it is quite senseless to say that Republics, Krays, Oblasts and local directors have been granted more rights in the management of industry and building. All a local director can do is to fulfill still tighter plans and carry still

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greater responsibility under stricter control and increased centralization.

Consequently, the statement, made by the CPSU leaders and the government to the effect that local managers will have more rights as a result of the reorganization of management of industry and building, can be called nothing more than demagoguery and the usual fraud.

3. Reasons for the reorganization of management of industry and building.

A) Unwieldiness of the administrative apparatus and bureaucratization of management.

One of the basic reasons for the reorganization of the management of industry and building is the large number of ministers, their ~~excessive~~ <sup>blown-up</sup> staff, the multiplicity of channels and complexity inherent in management and ~~the~~ excessive bureaucratization.

As already stated above there were in the USSR until May 1957:

USSR Ministries	- 52
Union-Republic Ministries	- 240-250
Autonomous Republic Ministries	- 150-180
Directorates and Committees attached to	
Councils of Ministers	- 100-120

This means that one central state apparatus alone employed at least 500,000 persons. But if one counts the intermediate links from the central apparatus down to actual production, at least another 500,000 persons must be added to this number. Thus, on the basis of extremely conservative figures, at least 1 million persons are diverted to just one Ministry and Administration with their sub-divisions and intermediate links. Following the example of the central organs, the chiefs of peripheral organizations also tried to blow up their own administrative-managing staffs. Soviet statistics usually conceal the number of administrative-managing and not-productive personnel,

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but when they do appear they are deliberately falsified <sup>giving</sup> ~~=~~ no more than 7-10% of the total number of workers and employees. Actually that is not so. In the overwhelming majority of enterprises and organizations, the number of administrative-managing personnel usually amounts to 25-30% of the total number of workers and employees, but in smaller enterprises it even reaches 50%. In a number of cases (in small enterprises) it even goes so far that the number of administrative-managing personnel exceeds the number of workers. Therefore, if the number of workers and employees in industry and transport amounted to about 25,5 million persons in 1955, at least 8 million persons of the total employed ~~belong~~ belonged to the administrative-managing staff.

The real reason for the swelling of the administrative-managing apparatus was not brought to light in the theses of Khrushchev's report. The reason for that, however, may be found in the essence of the CPSU bosses' dictatorship which invariably leads to ~~the extremely~~ monstrous bureaucratization of all branches of economic life in the country on the one side and the aversion of people to carrying out the drudgery of prison labor in industry for a minimum of pay on the other.

All directors, from the biggest down to the small ones, invariably try to create <sup>I</sup> for themselves the easiest and most pleasant working conditions with the least responsibility possible. Always trying to get reduced production tasks, directors at the same time attempt to keep surrounding themselves with the largest possible number of assistants, to set up the <sup>(possible)</sup> largest amount of all types of unproductive departments and sectors, in other words, they ~~seek~~ <sup>strive</sup> in every way to swell up the administrative-managing apparatus even resorting to patent violation of personnel discipline (at the expense of production workers).

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In the theses of Khrushchev's report mention is made of the fact that the administrative-managing staff, the body of state purchase officials and other unproductive personnel had been cut by over 900,000 persons over the period from 1954 to 1957. This is a pretty large figure, but facts show that this cut was mainly made on paper only. Directors found ways not only to keep their apparatus intact, but even to expand it in some cases. And even if they were forced to make some reduction, the victims of the cut were predominately members of the staff of a number of junior assistants and ~~several~~ low level employees.

Ordinary workers also try by some <sup>favorite</sup> ~~favorable~~ means to quit production, get away from the Stakhanov methods and heavy output norms and settle down somewhere in an office, in the supply, trade ~~and~~ or similar type of system.

By the reorganization of the management of industry and building the government intends to cut the administrative-managing staff as much as possible and make sure that it does not become inflated again in the future.

Reluctance of specialists to work directly at the plant  
and go to far-away areas of the country to work.

This is also one of the main reasons for the reorganization of management of industry and building. No mention was made of these reasons ~~however~~ in the theses of Khrushchev's report, however.

It <sup>has</sup> ~~is~~ become such a practice in the USSR that every engineer or technician by hook and by crook tries to be placed for employment in the administrative apparatus and in the central regions of the country if at all possible. The reasons for that are the bad living conditions in peripheral areas, <sup>demand of</sup> greater responsibility ~~in~~ <sup>in</sup> production than in the administrative apparatus, but at the same time lower pay. For instance, the superintendant of a leading shop (mechanical, installation, boiler shop) of an important shiprepair plant gets 1200-1300 Rubles a month, while ~~but~~ an ordinary engineer of a Glavk (chief directorate <sup>of</sup> ~~chief directorate~~) in the Ministry ~~for~~ <sup>of</sup> the

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Maritime Fleet receives a salary of 1100-1200 rubles a month. With a salary of 690-900 Rubles a month a plant engineer is day and night under strain to fulfill the plan, ~~for~~ but for an engineer working in the administrative apparatus conveniently confined to the working day is comfortably ~~enjoying~~ 8 hour ~~packages~~ terms during which all sorts of papers are written up.

it is noted

~~Excesses~~ In the theses of Khrushchev's report that there are about 1,600,000 engineers and technicians in the Soviet Union (the total number of secondary specialists with advanced and ~~middle~~ technical training is about 6 millions), but nothing is mentioned in the report ~~in~~ as to how many of them are settled in the administrative apparatus. And this is a very large number. In practice at least 60% and maybe even as much as 70% of the engineers and close to 50% of the technicians sit in ~~the~~ offices of ~~the~~ various administrations, trusts, <sup>directorates</sup> chief ~~governments~~ (glavky), ministries. In the USSR it is considered nothing out of the ordinary in <sup>provincial</sup> ~~provincial~~ areas and in medium and small size enterprises that regular engineering jobs are occupied by persons completely lacking advanced technical training - technicians and even practical workers (persons who are without advanced or even secondary technical training). The government leads ~~an~~ an endless but unsuccessful fight against the settling of specialists in the administrative-managing apparatus. Opposition to the government's efforts comes from two sides however: from the specialists themselves and from the directors of administrative organs who take specialists into the administrative apparatus even to the detriment of production itself.

By reorganizing the management of industry and building the government intends to force ~~the~~ specialists to work right in production and keep them from penetrating into the administrative apparatus as much as possible.

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WITH data  
 C) Humbug and adulteration of statistics on fulfillment  
of production tasks committed by directors.

Under the present system of management, enterprises (enterprise = trust = Glavk - Ministry) are quite free to exercise the practice of fraud with the government in accounting for ~~the~~ fulfillment of production tasks. Directors of enterprises deceive directors of trusts, chief ~~committees~~ <sup>directorates</sup> (glavky), the latter in their turn cheat ~~deceive~~ the Ministers and ~~they~~ <sup>the Ministers cheat</sup> the government. In many cases this deception has even become a principle of mutual guaranties. ~~Among other things,~~ <sup>Also</sup> this is the main reason why Soviet official data on fulfillment of plans ~~are~~ <sup>must be</sup> judged with such a high degree of skepticism. Every director tries to get his production task reduced and simultaneously <sup>he tries to get</sup> as many production resources as possible (finances, personnel, material-technical supply). The overwhelming majority of directors try to lower ~~the~~ production capacities of their enterprises with the tacit approval of directors and even Ministers higher up. And Ministers also try to get from the government as many as possible material resources for the enterprises and organizations of their Ministries. Party and control organs are not always able to interfere with these <sup>operations</sup> ~~activities~~ of directors.

By reorganizing the management of industry and building, the government intends to eliminate directors' tendencies toward lowering production capacities by means of falsifying data regarding fulfillment of production tasks.

D) The tendencies of directors towards creating parallel-  
subsidiary-  
purpose, ~~market~~ and other non-productive organizations

Every director always tries to surround his enterprise with a conglomeration of parallel-purpose- and all kinds of subsidiary, unproductive organizations. For instance, the director of the Astrakhan Shipyard needs bronze castings. So he goes ahead and sets up, parallel to his own supply section, an additional bronze castings ~~agency~~ purchasing agency in another town.

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Plants do have planning-production departments, but directors, even those of small plants, always try to set up planning sectors in shops and in sections. Let us assume that a few small-size new tenement houses have been built in a plant's workers settlement. The director of the enterprise immediately sets up an additional housing-community section even though a community-housing section already operates at the plant. We shall take another case. A few thousand cubicmeters of lumber arrived at the pier for the plant - immediately a company (~~grappa~~) is organized and charged with processing and transport of the lumber even though this ~~happens to be one of the~~ ~~belongs to the proper~~ functions of the supply section or the plan's processing and supply office.

By reorganizing the management of industry and building, the government intends to put an end to this phenomenon (in my opinion by expanding the functions of the State ~~Staff Committee~~ of the Council of Ministers of the USSR).

#### E) Over-population of large towns.

At the present time, Moscow, Leningrad, the capitals of the Republics, the large Oblast and industrial centers are greatly overpopulated. The problem of living space has become very acute there. People try to get settled in large towns where supply and modern living conditions are better than they are in ~~the provinces.~~ ~~peripheral areas.~~ <sup>large</sup> The government constantly tries to relieve overburdened towns ~~people~~ but runs into opposition ~~wherever it~~ all the time.

By reorganizing the management of industry and building the government intends to displace people from large urban centers and especially Moscow, Leningrad and ~~the~~ Union Republic capitals. However, no indication can be found in the Soviet press as to how people ~~will be provided~~ <sup>the provinces</sup> resettled in ~~peripheral areas~~ <sup>peripheral</sup> will be provided with living conditions. It is quite apparent that people resettled in ~~the new living and working areas~~ <sup>new living and working areas</sup> will be subjected to hard living conditions. ~~In this process of change~~

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During the change-over to the new methods of operation ~~and the inevitable~~ a certain amount of organizational confusion, unavoidable under Soviet conditions, is bound to prevail and this confusion will ~~harm~~ badly hurt people individually.

4. The meaning of the reorganization of management of industry and building.

A) Chances for improvement in the direction of the economy.

The reorganization of the management of industry and building due to be carried out, should, in my opinion, ~~bring about~~ lead to some improvement in the direction and efficiency of the economy. However I believe that this improvement will mostly affect those branches of ~~the~~ industry which belong to group "A" (heavy industry). The branches of industry belonging to group "B" (light industry) as usual will not come up to the demands of the population. This results from the very essence of the policies pursued by the CPSU leadership which are primarily directed toward development of heavy industry; this is also evident ~~in~~ <sup>from</sup> the theses of Khrushchev's report. Since centralization under the new system of management of industry and building will be increased, local managers will have no chance to influence the growth of light industry enterprises. Local managers will operate only on the basis of directives and under the strictest control of the government.

The following factors may contribute to the improvement in the quality of the direction of industry under the new system:

- 1) Enterprises will be strengthened by newly released staffs of specialists and managers.
- 2) Guidance will be brought closer to the enterprises due to the elimination of intermediate and parallel-operating administrative links.  
cooperation
- 3) A ~~connection~~ system between enterprises will be established, which will lead to the improvement of material-technical supply and the problem of

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non-liquid and above-normative reserves will lose its acuteness.

4) Irrational and uncalled for ~~(S)~~ freight shipments will be cut down.

5) With the liquidation of inter-departmental barriers the ~~system~~ material-technical supply system may become more flexible and efficient. So far, material-technical supply of enterprises has been the sorest spot in the economic life of the country.

#### B. Strategic significance.

In my opinion the reorganization of the system of management of industry and building will also have strategic ~~significance~~ importance. Until the present time, Ministry officials have tried to avoid as much as possible setting up new enterprises in the outlying regions of the country. As a rule they have tried to set up enterprises as near as possible to administrative centers without regard to their remoteness from raw-material and power bases. Under the new system of management it has been proposed to set up new enterprises according to economic regions in locations where raw-material and power resources are considered to be adequate. Therefore, conditions will be created under the new system for the dispersal of enterprises all over the country instead of their concentration in definite large industrial regions. In case of war this will be very important, because if enterprises in one region of the country are put out of commission, the same type of enterprises located in other regions of the country, may continue to supply front and rear with production.

The afore-mentioned is confirmed by an article written by the Minister for instrument building and automatization elements. This article was published in "Pravda" in April 1957. He stated ~~in that~~ that Ministers have had the tendency so far to concentrate enterprises in the vicinity of the country's centers (in order to keep tabs on them at the Ministry"). For instance, 75-80%

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of the enterprises of the Ministry for instrument building and automation elements are concentrated in Moscow, Leningrad and other large central cities. The new form of management will make it possible to set up enterprises all over the country.

C) Strengthening of the role of planning-, financing-, accounting-, control- and party-organs as well as increasing centralization of management.

Changing over to the new system of management of industry and building, the government gives local managers and directors of enterprises a <sup>chance</sup> ~~chance~~ for greater operative management in order to charge them with greater responsibilities in securing ~~taxes and the~~ fulfillment of state plans. Simultaneously the government was anxious not to give managers a chance to solve ~~planning-, supply-, financing- and personnel assignment problems~~ problems involving planning, supply, financing, distribution of cadres and realization of finished production and took measures to strengthen the role of accounting and control organs.

1) Planning organs.

The principle of elaboration and establishment of plans remains basically the same under the new system of management. Working out ~~of~~ plans will be started at enterprises and subsequently pass through the ~~stages~~ following channels: Economic Union, National Economic Council, Republic Gosplan, USSR Gosplan. Here active interference with elaboration of plans is added by local party, Soviet and trade-union organs.

Under the new system of management the role of the Gosplan will be increased tremendously. If formerly a Minister or a director of a Glavk (Chief Directorate ~~Commission~~), if only to a minor extent, was able to solve some operative problems in the Ministry or Glavk independently, such problems can no longer be resolved <sup>by them</sup> without the Gosplan under the new system.

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"It will be the mission of Gosplan to carry out a single centralized policy for developping the most important branches of industry, a mission which is presently carried out by the Ministries".

("Leninist principles on planning and reorganization of industrial management" by Academician Ostrovityaninov, published in "Pravda" No. 116 dated 26 April 1957).

At the same time the role of Gosplan will grow in combatting seniority tendencies liable to crop up in the Republics and economic regions, since without Gosplan's permission it will be ~~impossible~~ impossible to make any changes in the established plan or to carry out any measures not provided for in the plan.

Therefore, as far as ~~work~~ planning problems are concerned, the government will carry out a policy directed towards strengthening centralization and strengthening of control over the activities of local managers.

2) Finance organs.

Zverev, USSR Minister of Finance, writes in an article entitled "Reorganization of the management of the economy and finance:

"The safeguarding and further consolidation of the unity of the Soviet Union finance system is of very great importance.... The unity of the first and foremost finance system ~~means the complete unity of the~~ calls for centralized financial planning." ("Pravda" No. 119 dated 29 April 1957)

The reorganization of management of the economy not only does not give directors ~~managers~~ a chance for more liberal use of financial resources, but limits their initiative even further than in the past. In order to forestall the appearance of seniority tendencies, control over ~~financial work~~ directors' financial dealings will be more vigorously enforced by Finance Ministry organs. Besides, two very important novelties will be introduced as a policy of the Ministry of Finance:

a) The accounting channel for profit transfers to the state budget will be established directly with ~~the~~ enterprises instead of the state budget accounting

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~~should be included in the~~ office dealing with Main Administrations as it was done heretofore. This means that National Economic Councils (Sovnarkhosy) will not be in a position to hold back and wilfully redistribute profits among enterprises within economic regions. Finance organs will have direct contact with enterprises, which is important for their enforcement of control over their (the enterprises!) activities and ~~against~~ <sup>their struggle</sup> against the appearance of seniority tendencies.

b) As a rule, the turn-over tax will be collected right from the enterprise and not from ~~marketing~~ <sup>marketing</sup> organizations. This is another way to speedily pump funds into the state budget. In addition, funds are not authorized to be held back in any economic region so that local directors are deprived of the chance to operate with these funds and express seniority tendencies.

Enormously increased will be ~~the~~ control over the direction of funds to assigned ~~for~~ capital investment for industry trade associations and special purposes. The Prombank (Industrial Bank) will immediately suppress every effort of directors of National Economic Councils to set up new enterprises and objects which are not ~~applied for~~ <sup>defined</sup> in the state plan. functions control ~~by~~ - finance -

This means that in one of the most important ~~aspects of management~~ <sup>control</sup> directors not only will fail to ~~directors not only will fail to~~ get more rights, on the contrary, their initiative will be curtailed, centralization will be strengthened.

### 3) State ~~Personnel Commission~~ <sup>Staff Committee</sup>

I believe that in connection with the change-over to the new forms of management of the economy the importance of the State ~~Personnel Commission~~ <sup>Staff Committee</sup> of the Council of Ministers of the USSR will ~~become~~ increase to a large extent and the functions of the State ~~Personnel Commission~~ <sup>Staff Committee</sup> will be considerably widened.

Until the present time there was in effect a system according to which T.O. schedules of mostly administrative-managing personnel had to be approved by the State ~~Personnel Commission~~ <sup>Staff Committee</sup> and even that did not apply to all branches of the

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economy (for instance, in the building industry and in the communal-housing economy so-called model T.O. schedules (tipovyye shtatnyye raspisaniya) were in effect according to which T.O. schedules of organizations were prepared without subsequent approval by the State ~~Personnel Commission~~ <sup>Staff Committee</sup> ). Until the present time a very large number of administrative positions in the so-called operative, production and non-industrial sub-divisions could be established by directors independently without approval in the State ~~Personnel Commission~~ <sup>Staff Committee</sup> and registration in local finance agencies, guiding ~~them~~ themselves solely by the fixed work plan.

I believe that ~~as a result of~~ in connection with the widening of the Staff Committee's State ~~Personnel Commission's~~ functions, directors will be forced to submit to the ~~Commission~~ <sup>Committee</sup> for approval not only T.O. schedules for administrative-managing personnel, but also operative, non-industrial and production-technical personnel with the exception of ordinary production workers. This will make it impossible for directors to inflate the administrative-managing apparatus at the expense of operative and production-technical positions, there will be no chance for the creation of any type of subsidiary organizations.

In approving T.O. schedules, the State ~~Personnel Commission~~ <sup>Staff Committee</sup> will demand a great deal more than in the past (even though their demands have been very high so far) regarding ~~the~~ justification for the need to set up one or another organization or ~~inclusion~~ <sup>in</sup> of one or another position ~~into~~ the T.O. schedule and establishment of a salary rate for such a position.

Therefore, as far as T.O.s are concerned, directors do not need to expect getting more rights than they had heretofore, centralization will be ~~rather~~ tightened <sup>(</sup> increasingly.

#### 4) Calculation and statistics.

In an article written by the chief of the Central Statistical Administration of the USSR, Professor Starovskiy, entitled "For the consolidation of a single centralized system of state statistics" ("Pravda" No. 97 dated 7 April 1957) it is

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stated that centralized calculation and statistics, on a level with state planning and centralized finances, must be considered ~~as~~ <sup>the</sup> one of the most important levers in coping with ~~any~~ eventual rising of tendencies towards autocratic rule, ~~however~~ in coping with seniority tendencies and attempts by directors to set up a closed economy within the various regions, for preservation of state discipline and strict fulfillment of state tasks.

With the transition to the new forms of managing the economy, all matters regarding obtaining and working out of all statistical accounting will be concentrated in the organs of the Central Statistical Administration. On the one hand this is tightening of centralization, but on the other hand it amounts to reduction of the large number of accounting-statistical organizations operating parallel to the Central Statistical Administration. The reduction in the number of forms of statistical accounting (especially the non-standard, not Central Statistical Administration approved forms) will be of some positive influence, because directors will no longer be overburdened with the work to render accounts and will have a better chance to pay attention to operative management. Besides, a considerable number of accounting and statistical officers <sup>(in peripheral areas)</sup> will be made available for other duty; they can be employed right in production. Until the present time, enterprises and organizations had to submit a large number of all type of accounting-statistical data to Main Administrations, Ministries, State Personnel Commission, local organs of the State Personnel Commission, Public Prosecutor's Office, State Security organs, party and trade-union organs, Ministry of State Control organs, finance organs.

The concentration of all statistical accounting solely in the agencies of the Central Statistical Administration may be considered another step towards strengthening of the centralization of economic management and control over the activity of local directors.

~~5) State Control organs.~~

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5) State Control organs.

With the change-over to the new forms of management of the economy, the role of the State Control organs will be very greatly strengthened. From the theses of Khrushchev's report and from an article written by the Minister of State Control of the Belo-Russian SSR, Kulikov, entitled "The work of state control on a level with modern demands" ("Pravda" No. 114 dated 24 April 1957) it may be concluded that one of the basic forms of reorganization of the work <sup>(state control)</sup> of state control organs will amount to giving more jurisdiction to field officers (inspectors, heads of control groups). Until the present time, jurisdiction over ~~the~~ administrative and criminal prosecution (reprimands, monetary fines, dismissal from the job, bringing to trial) of directors for anti-state activities belonged to the Minister of State Control only (with the exception of regular court organs, prominent executives, party organs, state security organs). The jurisdiction of state control inspectors and chiefs of groups ~~(state control)~~ in the field amounted to investigation, recommendation to superior officers and submission of investigative files and periodical reports to the Ministry of State Control. In connection with the change-over to the new forms of management it is my opinion that directors of State Control field agencies will be authorized to apply sanctions (within certain limits) against directors for violating the production and financial activity of their enterprises.

Besides, the creation of assistants' groups and the authority to enlist the cooperation of any and all personnel for inspection duty with the State Control agencies, will be a significant factor. Inspections will become more thorough and will be of a systematic nature. There can be no doubt that in that case State Control agencies will try to exploit weaknesses inherent in many persons (hatred, attempts to show up other people in more negative colors, a desire to "smear" the next guy, "put a fire under a fellow-worker").

Along with the strengthening of the role and authority of State Control

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agencies, independence of directors of enterprises and organizations will be limited still further and their role will consist of one thing only and that is safeguarding fulfillment of state tasks. Any and all, even minor efforts of directors to show independence, to shirk their duty or to violate directives issued by government agencies, will immediately be broken by State Control agencies.

In other words, strengthening of the role of State Control agencies amounts to increased centralization of economic management, curtailment of the role of directors of enterprises and organizations, but also implementation of measures to ~~prevent a possible~~ make it impossible for directors ~~from~~ to show seniority tendencies.

#### 6. Party organs.

With the change-over to new forms of economic management, the role of the party apparatus will be considerably strengthened. Until the present time party organs were not always able to actively interfere with the production activity of directors, especially in the system of Ministries with All-Union ~~standing~~ importance. To some extent, directors even ignored recommendations and directives coming from party organs in the field (Obkoms, Gorkoms, Raykoms of the party).

The theses of Khrushchev's report point to the fact that with the change-over to the new forms of economic management there will be a considerable increase in the role of party organs in industry and building. Republic, Kray and Oblast party organizations will get more authority and more opportunities to influence the course of fulfillment of state plans, the production activity of enterprises and building organizations, the implementation of party and government directives. This gives rise to the following conclusions:

- a) Party organs in the field will receive unlimited authorities and

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opportunities to interfere with the production-financial activities of directors.

b) The rights of directors will ~~still~~ be further curtailed under these conditions.

c) The dictatorship of the CPSU will be increased still further.

d) Centralization of management of the economy will be increased further, ~~(be subordinate to the~~ because the heads of Republic, Kray and Oblast party organs will not ~~also the~~ corresponding Soviet organs, but to the Central Committee of the CPSU directly. What is more, heads of Soviet organs will be subordinate to the corresponding party organs.

e) There will be a considerable increase in the number of the staff of the party apparatus.

In my opinion, the strengthening of the role of party organs in the management of the economy will not render positive results. In such a case, directors will be completely deprived of a chance to carry out any measures whatever without coordination with and permission of party organs. On the other hand, any directive coming from party organs (even an idiotic one) must be followed by directors without question. (It should be noted in this connection that heads of party organs as a rule are poorly versed in productive-economical and technical problems). Right now it becomes even difficult to say who is actually the director of one or another plant - is it the director ~~or~~ <sup>the</sup> secretary of the party organization, who is the director of this or that National Economic Council - is it the chairman of this council or is it the Obkom Secretary of the party. Most probably the director of the enterprise ~~is the~~ or National Economic Council will be the executor, but the party boss will be the overseer and driver.

##### 5. Popular reaction to the new CPSU measure.

As ~~it~~ could be expected, popular reaction to the new CPSU measure is

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negative. By far the greater majority of people, starting from Ministers down to regular plant engineers, technicians and employees, began to take steps to safeguard their personal status (fight for a "place in the sun") and to oppose these CPSU measures even at the time when the decree issued by the plenum of the Central Committee of the CPSU of 14 February 1957 ~~and~~ "On further ~~improvement~~ <sup>organizational</sup> improvement of management of industry and building" was published. This opposition increased during the discussion of the theses of Khrushchev's report in <sup>(during)</sup> April and the first week of May. The reaction of various elements of the population and its ~~reaction~~ consequences ~~will mainly~~ can mainly be summarized as follows:

a) Certain Ministers of Ministries about to be ~~abolished~~ <sup>abolished</sup> ~~present~~ advance ~~a number of~~ various arguments ~~in favor of the need to~~ which stress the necessity for keeping the Ministries (for instance, the Ministers for instrument building and means of automatization, USSR fishing industry, coal and wood, petroleum, metallurgical industries). Others Ministers point to the need for setting up in the Gosplan services and departments for industrial branches of their Ministries, since chiefs of Gosplan services and departments will exercise ~~rights over the rights of Ministers~~ their activities with the authority of Ministers.

It is a very significant thing when chiefs of the highest government agencies openly start to express their disapproval of CPSU procedures (Evidence thereof can be found in "Pravda" issues for April and first week of May 1957). What this will lead to is hard to say. What is most likely is that the professional and material situation of top executives and their very next surrounding will be ~~limited~~ <sup>reduced</sup> to a certain extent and after that they will implicitly follow CPSU directives as they did before, without worrying too much about their subordinates, remembering the saying "One's own shirt is closer to the skin".

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b) Directors of Scientific-Research Institutions point ~~in the~~ out the need for letting these institutions remain in Moscow and Leningrad. So far, about 75% of the Scientific-Research Institutes have been located in Moscow and Leningrad. It is true that these arguments do not amount to open criticism of CPSU measures (at any rate in the pages of "Pravda"). The directors of these institutions invent all sorts of so-called "objective" reasons which make it necessary to leave them in the capital cities. They raise these arguments for one purpose only and that is to keep their comfortable jobs and apartments in Moscow or Leningrad <sup>so they do</sup> and not have to move to towns far away from the center.

For the same reason directors of higher educational institutions and design bureaus raise a number of arguments to support the need for leaving these organizations in their old places instead of shifting them from ~~the~~ central areas of the country to the <sup>provinces.</sup> ~~periphery.~~

c) Department ~~and~~ chiefs and engineering-technical personnel in Ministries and chief <sup>directorates</sup> ~~committees~~ (Glavk) started to take their own steps in order to avoid the consequences of the campaign to reorganize economic management even while the theses of Khrushchev's report were still under discussion. Some of them will be transferred from the Ministries to executive jobs in enterprises, but ... right there in Moscow or Leningrad. Others perform the same trick, but quietly and with the help of friends and connections. The real purpose of these people is quite clear - avoid migration to the <sup>provinces and</sup> ~~remote areas~~ distant areas of the country and to remain until better times in the center, even if it has to be <sup>right</sup> ~~directly~~ at work in industrial enterprises.

This also is one of the means of opposition to the measures of the CPSU regarding reorganization of the system of <sup>economic management.</sup> ~~management of the economy~~

d) The majority of lower-grade directors, engineers, technicians and employees of Ministries and departments will ~~anyway~~ <sup>provincial</sup> be transferred to ~~peripheral~~

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and distant areas of the country<sup>(anyway)</sup>. Besides, the transfer will be carried out forcibly, most likely in pursuance of the decree issued by the Presidium of the Supreme Soviet of the USSR of 19 October 1940 relative to "Compulsory transfer of engineering-technical officials, employees and ~~qualified~~ skilled workers from one district to another". The transfer of these workers will entail quite a few complications. It may be that many will not be able to start working as soon as they get to their new places, because there will be many cases where official appointments (slots) will have to be opened first or <sup>they</sup> will have to be vacated by persons now filling them. Living conditions for transferred personnel will be unsatisfactory, since the acute housing shortage in the USSR exists in all towns. Many officials will lose their high grades and will even be assigned to ordinary jobs. I believe these people will continue to fight against being transferred from the center to the ~~periphery~~ <sup>provinces</sup> and to distant areas of the country to the very last. And even if there is nothing they can do to escape being transferred, they will do everything they can, even in the future, to get back home. Many transferees will leave their families in the old places so ~~that~~ they can keep the apartment and a base ~~where to return to~~ to go back to. Many persons, in order to escape transfer, will resign from work in advance and get a ~~new~~ job anywhere else in their town in order to get back into a good berth as soon as the campaign begins to peter out.

To various degrees and in one way or another, people of this type will be dissatisfied with the CPSU measures and there is no question that this displeasure will cause them to break out with enthusiasm to go about their work.

e) The reorganization of economic management will also have a detrimental effect on the large number of engineering-technical workers and employees working in the provinces. Many of them will lose ~~their~~ jobs they held for a long time in order to make way for workers transferred from the center or assigned there due to reduction of staff. In this connection it should be remembered also that

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a whole lot of smaller <sup>f</sup>plants are expected to be changed over to a no-shop system of management, but shops in large plants ~~they~~ are scheduled to be enlarged. As a result, the number of people who are going to be released from the administrative apparatus will increase still further. A great many people will be transferred from duty at a desk to work at a machine or a press. It is inevitable ~~that~~ that antagonistic feelings will arise between the newly arrived workers and those released from jobs. It is not unlikely either that even directors of enterprises and organizations will not always be pleased to take on new arrivals and fire old workers, because in the USSR the element of nepotism and mutual guarantees ~~on the job~~ is extremely strong in enterprises, especially in the provinces.

Dissatisfaction ~~among these types of people~~ with CPSU measures among this type of people is bound to arise also.

(in varying degrees

f) Persons who will be affected by the campaign to reorganize economic management, will not dedicate their efforts to fulfillment of production tasks but rather to find ways and means to go back to their old place of residence or get into the administrative apparatus.

g) Directors of enterprises and organizations will again start to fight for ~~for~~ expansion of the administrative-managing apparatus, for creation of new <sup>in practice</sup> ~~administrative~~ administrative sub-divisions. This has been proven ~~again and again~~ over many years. The government cuts down the administrative apparatus, but directors will soon manage to find different ways to blow it up again. As a result, the size of the apparatus not only will not be reduced after some time, but instead will even grow bigger.

directors

h) Many ~~leaders~~ demonstrate the need to have the right to independently increase and reduce workers' salaries and to change the staff structure of shops and sections ("Pravda" No. 102 of 12 April 1957). Should such a procedure be put into practice, it would most certainly lead to ~~the~~ directors exercising the most preposterous arbitrariness towards rank-and-file workers. As it is, there are too many stupid and wilful persons <sup>in the USSR</sup> holding executive jobs. When it comes to heating up

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~~the~~ the atmosphere in the USSR, such a thing will definitely be of positive value. Inevitably in such a case the arbitrariness of important and less important directors will to a large extent increase dissatisfaction of the Russian people with the existing regime.

#### 6. Conclusions.

The reorganization of management of industry and building, which is being carried out in the USSR, allows us to make a number of conclusions which, in the main, can be listed as follows:

a) There will be an improvement in the management of industry and building ~~as~~ it will become more flexible and operative, since management will be drawn closer to enterprises.

b) Directors' responsibility for fulfillment of state plans will be increased along with some improvement of conditions for operative management and simultaneous strengthening of centralization of economic management.

c) The chances of workers to get settled in the administrative apparatus and in the large centers of the country will be ~~substantially~~ restricted. There is a chance for sending

d) ~~The export of specialists~~ a large number of executive personnel and specialists to new building projects, but also to functioning enterprises in Siberia, the Far East and other distant areas of the country.

e) ~~It has been~~ made possible to disperse enterprises over all territories of the country, which is important from a strategic viewpoint.

f) ~~The problem caused by~~ (The overpopulation of large cities and the acute housing shortage in the country will be solved to some extent.

g) Under the territorial form of management seniority elements among directors are bound to arise and these may have a very negative effect on the economy. For that reason it is not by accident that the CPSU has ~~already~~ taken measures in advance in order to cope with such tendencies.

h) With the passage of time, the administrative-managing apparatus will

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become inflated, even under the new form of management.

i) The initial period of operation under the new system of management will have a harmful effect on the fulfillment of current production tasks. Many mistakes will be made during the process of reorganizing, certain directors will drag out the process of changing over to the new system of management, many specialists will sabotage departure for the provinces and transfer out of the administrative apparatus right into production.

j) Dissatisfaction on the part of the Russian people inevitably will increase since the reorganization of economic management is carried out to the detriment of a very large number of working people.

29 May 57.